EMPIRE
COMPANY LIMITED

FOR IMMEDIATE RELEASE
September 9, 2021

Empire Delivers Strong Fiscal 2022 First Quarter Results

First Quarter Summary

- Earnings per share of $0.70 compared to $0.71 last year
- Same-store sales excluding fuel decreased by 2.2% compared to elevated sales last year
- Excluding fuel, gross margin increased by 40 basis points
- Project Horizon growth plan on track
- $133 million of shares repurchased to date; fully offsetting shares issued as part of the Longo's acquisition

Stellarton, NS – Empire Company Limited ("Empire" or the "Company") (TSX: EMP.A) today announced its financial results for the first quarter ended July 31, 2021. For the quarter, the Company recorded net earnings of $188.5 million ($0.70 per share) compared to $191.9 million ($0.71 per share) last year. Earnings per share from the prior year included a net positive impact of $0.04 as a result of a gain on a significant real estate transaction partly offset by a lump sum payment related to collective bargaining in Alberta. Excluding this impact, total earnings per share increased by 4.5%.

"We continue to perform strongly and consistently, especially considering we are comparing our results to extraordinary COVID-driven results from last year," said Michael Medline, President and CEO, Empire. "Sales, market share and margins are robust. I have great confidence in the underlying strength of our business and our team. We are in an enviable position with our execution and Horizon initiatives."

In the first quarter of fiscal 2021, the Company launched Project Horizon, a three-year growth plan focused on core business expansion and the acceleration of e-commerce. The Company is on track to achieve a targeted incremental $500 million in annualized EBITDA and an improvement in EBITDA margin of 100 basis points by fiscal 2023 by growing market share and building on cost and margin discipline.

In the first quarter of fiscal 2022, earnings continued to be positively impacted by strategic initiatives, including the continued expansion and renovation of the store network, promotional optimization, data analytics and strategic sourcing efficiencies. Benefits were partially offset by the continued investment in the Company's e-commerce network. Management expects these factors will continue to drive the majority of benefits through the remainder of fiscal 2022.

Recently the Company announced the next two locations for the expansion of its FreshCo discount banner in Western Canada. There will be a new site in Cornerstone, Calgary, and the second location is Medicine Hat Mall in Calgary which will be converting from a Safeway store. The Safeway store will close for renovation in the third quarter of fiscal 2022. Both stores are expected to open in the first half of fiscal 2023.

With this announcement, the Company has now confirmed 42 FreshCo locations in Western Canada with 29 open and operating.

Empire also recently announced the next location for its expanding Farm Boy banner in Toronto, Ontario. With this announcement, the Company has now confirmed 45 locations in Ontario. The new Farm Boy location is converting from a Sobeys Urban Fresh location by Yonge and St. Clair and will open in fiscal 2023.

Costs related to the store closure and conversion to FreshCo and Farm Boy will be charged to earnings in the second quarter of fiscal 2022 and are estimated to be approximately $2.6 million before tax.

CONSOLIDATED OPERATING RESULTS

($ in millions, except per share amounts)	13 Weeks Ended July 31, 2021	13 Weeks Ended August 1, 2020	$ Change
Sales	**$ 7,626.0**	$ 7,354.2	$ 271.8
Gross profit[1]	**1,912.2**	1,848.6	63.6
Operating income	**347.4**	377.6	(30.2)
EBITDA[1]	**581.9**	582.5	(0.6)
Net earnings[2]	**188.5**	191.9	(3.4)
Diluted earnings per share			
EPS[2][3]	**$ 0.70**	$ 0.71	$ (0.01)
Diluted weighted average number of shares outstanding (in millions)	**268.1**	269.8	
Dividend per share	**$ 0.15**	$ 0.13	

	13 Weeks Ended July 31, 2021	13 Weeks Ended August 1, 2020
Gross margin[1]	**25.1%**	25.1%
EBITDA margin[1]	**7.6%**	7.9%
Same-store sales[1] (decline) growth	**(0.5)%**	8.6%
Same-store sales (decline) growth, excluding fuel	**(2.2)%**	11.0%
Effective income tax rate	**24.5%**	29.4%

(1) See “Non-GAAP Financial Measures & Financial Metrics” section of this News Release.
(2) Attributable to owners of the Company.
(3) Earnings per share (“EPS”).

OUTLOOK

The Company expects that fiscal 2022 will continue to be affected by the novel coronavirus (“COVID-19 or “pandemic”), with some normalization of business throughout the year as vaccination rates increase and COVID-19 restrictions are relaxed. Management has observed increased levels of food consumption outside of the home and related reductions in grocery industry volumes and expects to see these trends to continue. As restrictions ease, consumers are expected to shop more frequently and at more grocery stores. Grocery formats that experienced lower relative growth during the pandemic lockdowns, such as discount, should experience higher relative sales. The Company does not expect grocery consumer behaviour to return fully to pre-pandemic levels for the foreseeable future. As economic activity increases and travel restrictions reduce, fuel volumes have increased and will likely continue to do so during the remainder of fiscal 2022.

The Company’s top priorities remain the health and safety of employees, customers and communities while maintaining a resilient supply chain to meet the needs of Canadians and supporting charitable organizations. The Company continues to invest in increased safety and sanitization products and procedures to ensure customers and employees are protected while shopping and working in stores. Management is closely monitoring the impact of the pandemic on food retail around the world and continues to learn from best practices.

During the first quarter, the cost of maintaining safety and sanitization measures was approximately $18 million (first quarter of fiscal 2021 – $67 million). In the second quarter of fiscal 2022, it is expected the Company will incur approximately $10 million (second quarter of fiscal 2021 – $14 million) in selling and administrative expenses related to the increased cost of maintaining safety and sanitization measures, and other COVID-19 related costs.

The Company expects that same-store sales will continue to reduce in the remainder of fiscal 2022 as industry volumes decrease compared to the unusually high COVID-19 driven sales impacts in fiscal 2021. Margins will continue to benefit from Project Horizon initiatives, other operating improvements, and the addition of Longo’s. These benefits will be partially offset by effects of sales mix changes between banners and the impact on sales mix of increasing fuel sales.

The Company expects improvements in the results of its Toronto based e-commerce site as volumes continue to increase and costs reduce due to improved operational efficiencies. At the same time, Voilà total costs will increase as the Montreal and Calgary facilities begin operations and store pick e-commerce is implemented in up to 85 additional stores in the remainder of fiscal 2022. In total, the combination of improving results in Toronto, increasing costs in Montreal and Calgary and additional store pick e-commerce locations is expected to reduce Empire's fiscal 2022 net earnings by approximately $0.25 to $0.30 per share (fiscal 2021 – $0.18). Future earnings will be impacted by the rate of sales growth and is difficult to predict. The Company expects that fiscal 2022 will reflect the highest net earnings dilution for the Voilà program as the Toronto site is expected to begin to reflect positive EBITDA results towards the end of its third year of operations.

When announcing the Project Horizon strategy, management estimated an increase of $500 million in EBITDA over the three-year period, excluding COVID-19 impacts. At that time, based on the last 12 months ended, February 1, 2020, management further indicated that they expected earnings per share to generate a compound average growth rate of at least 15% over the Project Horizon timeframe. Management continues to expect the Company will achieve its three-year Project Horizon strategy targets. However, due to significant positive impacts on sales and earnings related to COVID-19 in fiscal 2021, growth rates in fiscal 2022 for same-store sales and net earnings are expected to be lower.

Sales

Sales for the quarter ended July 31, 2021 increased by 3.7% driven by increased sales due to the acquisition of Longo's and higher fuel sales as a result of increased fuel prices and consumption in the current year. These increases were partially offset by reduced sales as a result of the stabilization of consumer buying behaviour as COVID-19 restrictions eased across the country.

Gross Profit

Gross profit for the first quarter increased by 3.4% primarily as a result of the inclusion of Longo's results, benefits from Project Horizon initiatives, including the use of advanced analytics promotional optimization tools, and the expansion of Farm Boy, FreshCo and Voilà. The increase is partially offset by reduced sales as a result of changes in consumer buying behaviour as COVID-19 restrictions are eased across the country.

Gross margin for the quarter of 25.1% remained consistent with the prior year. Excluding the effect of fuel mix, gross margin would have been 40 basis points higher compared to the prior year. Gross margin was positively affected by benefits from Project Horizon initiatives, the inclusion of Longo's results and service department recoveries resulting from closures in the prior year due to COVID-19, offset by the mix effect of higher fuel sales and sales mix changes between non-fuel banners.

Operating Income

For the quarter ended July 31, 2021, operating income decreased mainly due to a prior year $30.3 million gain on a significant sale of property and higher selling and administrative expenses. Selling and administrative expenses increased primarily as a result of the inclusion of Longo's results, execution of Project Horizon initiatives including the expansion of Farm Boy and Voilà in Ontario and FreshCo in Western Canada, and increased right-of-use asset depreciation and marketing costs. The increase was partially offset by lower COVID-19 costs in the quarter, lease termination transactions and costs associated with the finalization of a labour agreement in Alberta in the prior year.

EBITDA

For the quarter ended July 31, 2021, EBITDA decreased slightly to $581.9 million from $582.5 million in the prior year mainly as a result of the factors affecting operating income. EBITDA margin decreased to 7.6% from 7.9%. The decrease is primarily due to the prior year $30.3 million gain on a significant sale of property, offset by the prior year $15.6 million cost related to the Alberta labour agreement.

Income Taxes

The effective income tax rate for the quarter ended July 31, 2021 was 24.5% compared to 29.4% in the same quarter last year. The effective rate was lower than the statutory rate primarily due to non-taxable capital items and differing tax rates of various entities. The prior year effective rate was higher than the statutory rate primarily due to a revaluation of deferred tax assets.

Net Earnings

($ in millions, except per share amounts)	13 Weeks Ended			
		July 31, 2021		August 1, 2020
Net earnings[1]	**$**	**188.5**	$	191.9
EPS (fully diluted)	**$**	**0.70**	$	0.71
Diluted weighted average number of shares outstanding (in millions)		**268.1**		269.8

(1) Attributable to owners of the Company.

Capital Expenditures

The Company invested $147.0 million in capital expenditures[1] for the quarter ended July 31, 2021 (first quarter of fiscal 2021 – $119.8 million), including renovations and construction of new stores, investments in e-commerce fulfilment centres, FreshCo locations in Western Canada, and investments in advanced analytics technology and other technology systems.

(1) Capital expenditures are calculated on an accrual basis and includes acquisitions of property, equipment and investment properties, and additions to intangibles.

Free Cash Flow

($ in millions)	13 Weeks Ended			
		July 31, 2021		August 1, 2020
Cash flows from operating activities	**$**	**424.6**	$	399.4
Add: proceeds on disposal of assets[1] and lease terminations		**10.4**		23.5
Less: payments of lease liabilities, net of payments received for finance subleases		**(104.5)**		(132.4)
Less: acquisitions of property, equipment, investment property and intangibles		**(215.0)**		(145.4)
Free cash flow[2]	**$**	**115.5**	$	145.1

(1) Proceeds on disposal of assets include property, equipment and investment property.
(2) See "Non-GAAP Financial Measures & Financial Metrics" section of this News Release.

Free cash flow decreased for the quarter ended July 31, 2021 primarily as a result of higher capital investments. The decrease was partially offset by favourable working capital changes affecting cash flows from operating activities, specifically related to accounts payable, compared to the prior year.

FINANCIAL PERFORMANCE BY SEGMENT

<u>Food Retailing</u>

($ in millions)	13 Weeks Ended					$ Change
		July 31, 2021		August 1, 2020		
Sales	**$**	**7,626.0**	$	7,354.2	$	271.8
Gross profit		**1,912.2**		1,848.6		63.6
Operating income		**337.3**		371.9		(34.6)
EBITDA		**571.7**		576.6		(4.9)
Net earnings[1]		**179.5**		189.3		(9.8)

(1) Attributable to owners of the Company.

Investments and Other Operations

($ in millions)	13 Weeks Ended July 31, 2021	13 Weeks Ended August 1, 2020	$ Change
Crombie REIT	**$ 7.4**	$ 4.9	$ 2.5
Genstar	**5.9**	2.6	3.3
Other operations, net of corporate expenses	**(3.2)**	(1.8)	(1.4)
	$ 10.1	$ 5.7	$ 4.4

For the quarter ended July 31, 2021, income from Investments and other operations increased primarily as a result of higher equity earnings from Genstar due to increased property sales in the current year, and from higher equity earnings from Crombie Real Estate Investment Trust ("Crombie REIT") primarily driven by improvements in levels of bad debt expense.

CONSOLIDATED FINANCIAL CONDITION

($ in millions, except per share and ratio calculations)	July 31, 2021	May 1, 2021	August 1, 2020
Shareholders' equity, net of non-controlling interest	**$ 4,587.5**	$ 4,372.7	$ 4,065.7
Book value per common share[1]	**$ 17.18**	$ 16.30	$ 15.11
Long-term debt, including current portion	**$ 1,228.1**	$ 1,225.3	$ 1,656.4
Long-term lease liabilities, including current portion	**$ 6,168.2**	$ 5,908.1	$ 5,382.0
Net funded debt to net total capital[1]	**60.0%**	58.8%	59.5%
Funded debt to EBITDA[1][2]	**3.5x**	3.3x	3.5x
EBITDA to interest expense[1][3]	**8.1x**	8.0x	7.2x
Trailing four-quarter EBITDA	**$ 2,143.2**	$ 2,143.8	$ 2,014.9
Trailing four-quarter interest expense	**$ 263.9**	$ 268.8	$ 278.6
Current assets to current liabilities	**0.8x**	0.9x	0.9x
Total assets	**$ 15,922.6**	$ 15,173.9	$ 14,800.3
Total non-current financial liabilities	**$ 7,651.4**	$ 7,187.7	$ 6,709.4

(1) See "Non-GAAP Financial Measures & Financial Metrics" section of this News Release.
(2) Calculation uses trailing four-quarter EBITDA.
(3) Calculation uses trailing four-quarter EBITDA and interest expense.

Sobeys Inc.'s ("Sobeys") credit ratings remained unchanged from the prior quarter. The following table shows Sobeys' credit ratings as at July 31, 2021:

Rating Agency	Credit Rating (Issuer rating)	Trend/Outlook
Dominion Bond Rating Service	BBB (low)	Stable
Standard & Poor's	BBB-	Stable

DIVIDEND DECLARATION

The Board of Directors declared a quarterly dividend of $0.15 per share on both the Non-Voting Class A shares ("Class A shares") and the Class B common shares that will be payable on October 29, 2021 to shareholders of record on October 15, 2021. These dividends are eligible dividends as defined for the purposes of the Income Tax Act (Canada) and applicable provincial legislation.

NORMAL COURSE ISSUER BID ("NCIB")

On June 18, 2020, the Company filed a notice of intent with the Toronto Stock Exchange ("TSX") to purchase for cancellation up to 5.0 million Class A shares representing approximately 3.0% of Class A shares outstanding. The NCIB was amended on April 19, 2021 to purchase up to 8,548,551 Class A shares representing approximately 5.0% of the Class A shares outstanding and expired on July 1, 2021. As of July 1, 2021, under this filing, the Company purchased 6,063,806 Class A shares at a weighted average price of $38.00 for a total consideration of $230.4 million.

On June 22, 2021, the Company renewed its NCIB by filing a notice of intention with the TSX to purchase for cancellation up to 8,468,408 Class A shares representing 5.0% of the 169,368,174 Class A shares outstanding as of June 18, 2021. The purchases will be made through the facilities of the TSX and/or any alternative trading systems to the extent they are eligible. The price that Empire will pay for any such shares will be the market price at the time of acquisition. The Company believes that repurchasing shares at the prevailing market prices from time to time is a worthwhile use of funds and in the best interests of Empire and its shareholders. The NCIB expires on July 1, 2022.

Shares purchased under the Company's NCIB for the first quarter ended July 31, 2021 are shown in the table below:

	13 Weeks Ended	
($ in millions, except per share amounts)	**July 31, 2021**	August 1, 2020
Number of shares	**3,271,082**	-
Weighted average price per share	**$ 39.74**	$ -
Cash consideration paid	**$ 130.0**	$ -

Including purchases made subsequent to the end of the quarter, as at September 7, 2021, the Company has purchased 3,349,282 Class A shares (September 8, 2020 – nil) at a weighted average price of $39.75 (September 8, 2020 – $ nil) for a total consideration of $133.1 million (September 8, 2020 – $ nil).

COMPANY STRATEGY

In the first quarter of fiscal 2021, the Company launched Project Horizon, a three-year growth plan focused on core business expansion and the acceleration of e-commerce. The Company is on track to achieve a targeted incremental $500 million in annualized EBITDA and an improvement in EBITDA margin of 100 basis points by fiscal 2023 by growing market share and building on cost and margin discipline.

For additional detail on Project Horizon, please refer to Empire's Management's Discussion and Analysis ("MD&A") for the first quarter ended July 31, 2021.

BUSINESS UPDATES

Farm Boy

The acquisition of Farm Boy on December 10, 2018 added 26 locations to the Ontario store network with plans to double the store count in five years from the acquisition date, mainly in the Greater Toronto Area ("GTA"). During the first quarter, the Company opened three new locations and expects to open four additional Farm Boy sites in Ontario, net of one closure, in the remainder of fiscal 2022 for a total of seven new stores. Today, the Company announced the conversion of an existing Sobeys store to the Farm Boy banner.

At the end of the quarter, 40 Farm Boy stores are currently open and operating, with five additional stores in different stages of development.

FreshCo

In fiscal 2018, the Company announced plans to expand the FreshCo discount format to Western Canada with expectations of converting up to 25% of the 255 Safeway and Sobeys full-service format stores in Western Canada to the FreshCo discount format.

During the first quarter, the Company opened one location and expects to open eleven additional FreshCo sites in Western Canada in the remainder of fiscal 2022. The Company expects to have 40 locations open in Western Canada by the end of fiscal 2022.

As at September 8, 2021:

- 29 stores are currently open and operating:
  - 16 in British Columbia (“B.C.”)
  - 6 in Manitoba
  - 5 in Saskatchewan
  - 2 in Alberta
- 11 stores are expected to open in the remainder of fiscal 2022:
  - 10 in Alberta
  - 1 in Northern Ontario
- 2 stores have been announced and are expected to open in Alberta in fiscal 2023

Business Acquisition

On March 16, 2021, the Company announced an agreement to acquire 51% of the business of Longo’s, a long-standing, family-built network of specialty grocery stores in the GTA, and the Grocery Gateway e-commerce business. The purchase price was based on a total enterprise value of $700.0 million, subject to customary closing adjustments. The Company financed the transaction through the issuance of 3,187,348 Class A shares with a fair value transaction price of $129.6 million, cash of $196.6 million and a contingent note payable of $10.7 million. The acquisition closed effective May 10, 2021.

After the fifth anniversary of the transaction, the Longo’s shareholders have an option to sell up to a 12.25% interest to Sobeys per annum, at a multiple applied to the last 12 months EBITDA, that will vary depending on achievement of certain business results. If Longo’s shareholders exercise an option to sell, Sobeys will have a corresponding call option for the same percentage in the following year. After the tenth anniversary of the transaction, both Sobeys and Longo’s have mutual put and call options for any remaining minority shares outstanding. A financial liability of $239.7 million has been recognized at the date of acquisition.

Store Closure and Conversion Costs

During the first quarter ended July 31, 2021, the Company expensed $6.3 million (2021 – $11.4 million) in store closure and conversion costs.

During the first quarter, the Company engaged in lease termination transactions which resulted in $11.6 million of other income (2021 – $ nil).

Ratification of New Collective Bargaining Agreement in Alberta

During the first quarter of fiscal 2020, the Company announced the ratification of a new Collective Bargaining Agreement ("CBA") for Alberta Safeway stores with UFCW 401, the Union representing the majority of Safeway teammates in Alberta. The CBA included a one-time retroactive lump sum payment to Safeway Alberta teammates for hours worked over the past three years. The one-time retroactive lump sum payment of $15.6 million associated with this CBA was charged to operating earnings during the first quarter of fiscal 2021.

Supply Chain

During the fourth quarter of fiscal 2021, the Company consolidated two distribution centres in Quebec. All frozen items for the province of Quebec are now located in one distribution centre which creates a more effective supply chain.

During the first quarter of fiscal 2021, the Company opened a new distribution centre in B.C., which consolidates three previous distribution centres into one facility, increasing capacity and efficiency in the network.

Sustainable Business Reporting

Environmental, Social and Governance (“ESG”) has deep roots in the Company’s history, and the principles of ESG have been a part of the organization since the Company started 114 years ago. The Company is focused on several initiatives as part of a continuing ESG journey such as: working to remove plastics from the business, specifically focusing on avoidable and hard-to-recycle plastics that source to the stores and in the Company’s Own Brands packaging; expanding the Company’s efforts to cultivate a fair, equitable and inclusive environment for all; embedding sustainable business mandates within the Company’s performance management goals; and completing an extensive assessment of the Company’s greenhouse gas emissions. The executive team reviewed a broad range of ESG issues that are important to stakeholders and long-term business success and creates shared value for the Company’s stakeholders, business and shareholders.

The publication of the Company’s 2021 Sustainable Business Report in August 2021 marks the next step in the Company’s sustainability journey. This is the first year the Company is reporting according to the Sustainable Accounting Standards Board (SASB) Food Retailers and Distributors Standard. This disclosure provides transparency and data on the Company’s progress in core ESG areas in the business and industry.

Voilà

On June 22, 2020, the Company introduced the future of online grocery home delivery to the GTA through the Company’s newest e-commerce platform, Voilà by Sobeys. Voilà is powered by Ocado Group plc’s (“Ocado”) industry-leading technology and fills orders through its automated Customer Fulfilment Centre (“CFC”) in Vaughan, Ontario. Robots assemble orders efficiently and safely, resulting in minimal product handling, while Voilà teammates deliver orders directly to the customer’s home.

The Vaughan CFC services the GTA, Barrie, Kitchener, Waterloo, Guelph, Hamilton, Niagara, St. Catharines and Brantford. The format continues to exceed its operational targets.

In the third quarter of fiscal 2021, Crombie REIT completed the construction of the building for Voilà’s second CFC in Montreal and turned it over to Ocado to build the internal technology. The CFC is expected to be ready to deliver to customers in early calendar 2022. This second CFC will support the launch of Voilà par IGA which will serve major cities in the province of Quebec.

The Company intends to operate four CFCs across Canada. The third CFC will be located in Calgary and will service the majority of Alberta. It is expected to deliver to customers in the first half of calendar 2023. With only four CFCs, the Company will be able to serve approximately 75% of Canadian households representing approximately 90% of Canadians’ e-commerce spend.

In fiscal 2021, the Company launched Voilà Curbside Pickup service at 30 store locations across Nova Scotia, New Brunswick, Newfoundland and Labrador, Prince Edward Island and Alberta. In the first quarter of fiscal 2022, the Company added 5 locations and expects to add up to 85 further locations in the remainder of fiscal 2022. The store pick solution is powered by Ocado’s technology and will serve customers in areas where future CFCs will not deliver or are not yet built.

Voilà had a $0.05 dilutive impact after tax on Empire’s earnings per share in the first quarter of fiscal 2022 (2021 – $0.05).

In Canada, online grocery sales have continued to grow, although at a slower pace than when COVID-19 began. In the first quarter of fiscal 2022, sales remained consistent for the Company’s three e-commerce formats, excluding Grocery Gateway, compared to the prior year.

FORWARD-LOOKING INFORMATION

This document contains forward-looking statements which are presented for the purpose of assisting the reader to contextualize the Company's financial position and understand management's expectations regarding the Company's strategic priorities, objectives and plans. These forward-looking statements may not be appropriate for other purposes. Forward-looking statements are identified by words or phrases such as "anticipates", "expects", "believes", "estimates", "intends", "could", "may", "plans", "predicts", "projects", "will", "would", "foresees" and other similar expressions or the negative of these terms.

These forward-looking statements include, but are not limited to, the following items:

- The Company's expectations regarding the financial impact and benefits of Project Horizon and its underlying initiatives, which could be impacted by several factors, including the time required by the Company to complete the initiatives and impacts of the COVID-19 including changes in customer behaviour;
- The FreshCo expansion in Western Canada and Farm Boy expansion in Ontario, including the Company's expectations regarding future operating results and profitability, the amount and timing of expenses, the projected number of store openings, and the location, feasibility and timing of construction, all of which may be impacted by COVID-19, construction schedules and permits, the economic environment and labour relations;
- The Company's anticipation that a percentage of food consumption that has shifted from restaurants and hospitality businesses to grocery stores will remain in grocery stores, which may be impacted by future shutdowns or eased public health restrictions due to COVID-19, the ability for restaurants and hospitality businesses to re-open and resume operations, and the ongoing demand for restaurants and hospitality services in the near term;
- The Company's expectations regarding an increase in fuel sales, which could be impacted by future shutdowns and travel restrictions implemented by government authorities;
- The Company's expectation that it will incur approximately $10 million in the second quarter in selling and administrative expenses to respond to COVID-19, which may be impacted by future shutdowns or eased public health restrictions due to COVID-19 and safety precautions and transitions required; and
- The Company's expectations that fiscal 2022 will reflect the highest net earnings dilution for the Voilà program, as the Toronto site continues to grow and is expected to begin to reflect positive results towards the end of the third year of operations, partially offset by the increasing costs of the Montreal and Calgary sites as they are built, and the plans to expand its Curbside Pickup service, all of which may be impacted by COVID-19, future operating and capital costs, customer response to the service and the performance of its technology provider, Ocado.

By its nature, forward-looking information requires the Company to make assumptions and is subject to inherent risks, uncertainties and other factors which may cause actual results to differ materially from forward-looking statements made. For more information on risks, uncertainties and assumptions that may impact the Company's forward-looking statements, please refer to the Company's materials filed with the Canadian securities regulatory authorities, including the "Risk Management" section of the fiscal 2021 annual MD&A.

Although the Company believes the predictions, forecasts, expectations or conclusions reflected in the forward-looking information are reasonable, it can provide no assurance that such matters will prove correct. Readers are urged to consider the risks, uncertainties and assumptions carefully in evaluating the forward-looking information and are cautioned not to place undue reliance on such forward-looking information. The forward-looking information in this document reflects the Company's current expectations and is subject to change. The Company does not undertake to update any forward-looking statements that may be made by or on behalf of the Company other than as required by applicable securities laws.

NON-GAAP FINANCIAL MEASURES & FINANCIAL METRICS

There are measures and metrics included in this news release that do not have a standardized meaning under generally accepted accounting principles ("GAAP") and therefore may not be comparable to similarly titled measures and metrics presented by other publicly traded companies. The Company includes these measures and metrics because it believes certain investors use these measures and metrics as a means of assessing financial performance.

Empire's definition of the non-GAAP terms are as follows:

- Same-store sales are sales from stores in the same location in both reporting periods.
- Gross profit is calculated as sales less cost of sales.
- Gross margin is gross profit divided by sales.
- Earnings before interest, taxes, depreciation and amortization ("EBITDA"), is calculated as net earnings, before finance costs (net of finance income), income tax expense, depreciation and amortization of intangibles.
- EBITDA margin is EBITDA divided by sales.
- Free cash flow is calculated as cash flows from operating activities, plus proceeds on disposal of property, equipment and investment property, less acquisitions of property, equipment, investment property and intangibles.
- Book value per common share is shareholders' equity, net of non-controlling interest, divided by total common shares outstanding.
- Funded debt is all interest-bearing debt, which includes bank loans, bankers' acceptances, long-term debt and long-term lease liabilities.
- Net funded debt is calculated as funded debt less cash and cash equivalents.
- Net total capital is calculated as funded debt plus shareholders' equity, net of non-controlling interest, less cash and cash equivalents.
- Net funded debt to net total capital ratio is net funded debt divided by net total capital.
- Funded debt to EBITDA ratio is funded debt divided by trailing four-quarter EBITDA.
- Interest expense is calculated as interest expense on financial liabilities measured at amortized cost and interest expense on lease liabilities.
- EBITDA to interest expense ratio is trailing four-quarter EBITDA divided by trailing four-quarter interest expense.

For a more complete description of Empire's non-GAAP measures and metrics, please see Empire's MD&A for the first quarter ended July 31, 2021.

CONFERENCE CALL INFORMATION

The Company will hold an analyst call on Thursday, September 9, 2021 beginning at 12:00 p.m. (Eastern Daylight Time) during which senior management will discuss the Company's financial results for the first quarter of fiscal 2022. To join this conference call, dial (888) 390-0546 outside the Toronto area or (416) 764-8688 from within the Toronto area. To secure a line, please call 10 minutes prior to the conference call; you will be placed on hold until the conference call begins. The media and investing public may access this conference call via a listen mode only. You may also listen to a live audiocast of the conference call by visiting the "Quick Links" section of the Company's website located at www.empireco.ca.

Replay will be available by dialing (888) 390-0541 and entering access code 656137 until midnight September 23, 2021, or on the Company's website for 90 days following the conference call.

ABOUT EMPIRE

Empire Company Limited (TSX: EMP.A) is a Canadian company headquartered in Stellarton, Nova Scotia. Empire's key businesses are food retailing, through wholly-owned subsidiary Sobeys Inc., and related real estate. With approximately $28.5 billion in annual sales and $15.9 billion in assets, Empire and its subsidiaries, franchisees and affiliates employ approximately 134,000 people.

Additional financial information relating to Empire, including the Company's Annual Information Form, can be found on the Company's website at www.empireco.ca or on SEDAR at www.sedar.com.

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